



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

MARCH 1, 2012

Questions and Answers on Spirits Tax for Retailers

This Q&A provides useful information to retailers concerning the administration of Washington's spirits taxes. This information is current as of March 1, 2012.

1. Q: Has the Department developed any tools that will assist spirits retailers in calculating the spirits taxes?

A: Yes. DOR is providing a spirits tax calculator on its website.

2. Q: Can spirits retailers combine the various add-on rates for each type of tax imposed on the sale of spirits in the original package under RCW 82.08.150 for collection and reporting purposes?

A: Yes. Nothing prevents spirits retailers from combining the various spirits tax add-on rates into a single combined rate for each tax type (sales and liter) for collection and reporting purposes. For example, if a grocery store is selling to a member of the general public, the store may use the total of the various add-on rates as follows: 20.5% for the SST and \$3.7708 for the SLT.

3. Q: Must retailers separately state the spirits sales tax (SST) and spirits liter tax (SLT) on customer sales receipts, invoices, or other instruments of sale?

A: No. While spirits retailers may list the combined total for SST and the combined total for SLT on their instruments of sale, they are not required to do so.

However, if a retailer does not separately state the combined total rate for SST, and the combined total for SLT on its instrument of sale, the retailer must state the combined SST rate, with a separate combined total for SLT, on shelf price tags or price lists available to the customer. As previously noted, retailers are not required to separately state each add-on rate imposed under RCW 82.08.150.

4. Q: Can spirits retailers show a combined total for the spirits sales tax (SST) and spirits liter tax (SLT) on customer sales receipts, invoices, or other instruments of sale?

A: Yes. Spirits retailers may show a combined total for both the SST and SLT on instruments of sale if:

- the seller has a shelf tag or price list available that shows a breakdown of the taxes;
- and the seller's books and records distinguish what taxes were collected.

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Note: If products subject to the general retail sales tax under RCW 82.08.020 are purchased with spirits, the general retail sales tax must be shown separately from the SST and SLT on any instrument of sale. Spirits sold in the original package are not subject to the general retail sales tax.

Examples (all examples assume a retail sale of a one-liter product)

Example 1: SST and SLT combined on customer's sales receipt

Spirits item	<u>\$10.00</u>
Subtotal	\$10.00
Taxes	<u>\$5.82</u> (Total of 20.5% SST and \$3.7708 SLT)
Total	\$15.82

Example 2: Customer's sales receipt itemizing the SLT, SST, and RST

Spirits item	\$10.00 Shelf price
Grocery item (exempt)	\$5.00
Grocery item (taxable)	<u>\$5.00</u>
Subtotal	\$20.00
Spirits liter tax	\$3.77
Spirits sales tax	\$2.05
Retail sales tax	<u>\$0.41</u>
Amount due:	\$26.23

- 5. Q: I cannot calculate a four-digit spirits liter tax (SLT) in my point of sale system. What are my options?**
- A: The combined SLT rate is currently \$3.7708 per liter for sales to the general public, and \$2.4408 per liter for sales to restaurant spirits retailers. The spirits liter tax must be charged at the statutory rate. However, RCW 82.08.054 allows retailers to round tax calculations as follows: If the third decimal of the computation is greater than four, the seller rounds up to a whole cent; If the third decimal of the computation is equal to or less than four, the seller rounds down to a whole cent.
- 6. Q: Will the Department be putting together a list of SKUs and the appropriate taxes to reach a total price for spirits being sold in the state, similar to the approach taken with candy in 2010?**
- A: No. We believe that the best source for this information is the manufacturers and distributors of spirits and not the Department. Unlike with candy, all categories of spirits are taxable, eliminating the need for the Department to develop a comparable list of SKUs.
- 7. Q: If a spirits retailer has inventory and there is theft or breakage, how do they reconcile between inventory purchased and taxes submitted to the state?**
- A: The spirits taxes apply to sales of spirits in the original package. If theft or breakage of product occurs before the spirits are sold at retail, there is no taxable event and there should be no need to reconcile for tax purposes.

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8. Q: Can the licensing fees paid by retailers and administered by the Washington State Liquor Control Board be included in the taxable selling price of spirits sold in the original package?

A: Yes. Licensing fees are part of the retailer's cost of doing business and, as such, can be included in the taxable selling price.

9. Q: If a restaurant spirits retailer has paid spirits taxes at the incorrect rate, what are the retailer's options?

A: Restaurant spirits retailers may seek a refund. For more information see RCW 82.32.525, RCW 82.32.060, and WAC 458-20-229.

10. Q: What types of documentation will substantiate that a purchaser is a restaurant spirits retailer entitled to purchase spirits in the original package at the combined spirits sales tax rate of 13.7% and the combined liter rate of \$2.4408?

A: The following are sufficient forms of documentation:

- A copy of your actual business license, which shows the type of liquor license(s) the business has, or
- A printed copy of your business license as listed in the "Business License Search" on the licenselookup.wa.gov website, or
- A copy of the "tear off" portion of your business license, or
- The following information: Taxpayer name, address, type of liquor license(s) with license number, UBI number, and expiration date.

11. Q: Can non-residents purchase spirits in the original package exempt from the state's spirits taxes?

A: No. RCW 82.08.0273 provides an exemption from Washington retail sales tax for certain purchases by residents of other states, possessions, territories, or provinces that do not impose a similar, generally applicable tax. This exemption does not apply to the spirits taxes imposed under RCW 82.08.150.